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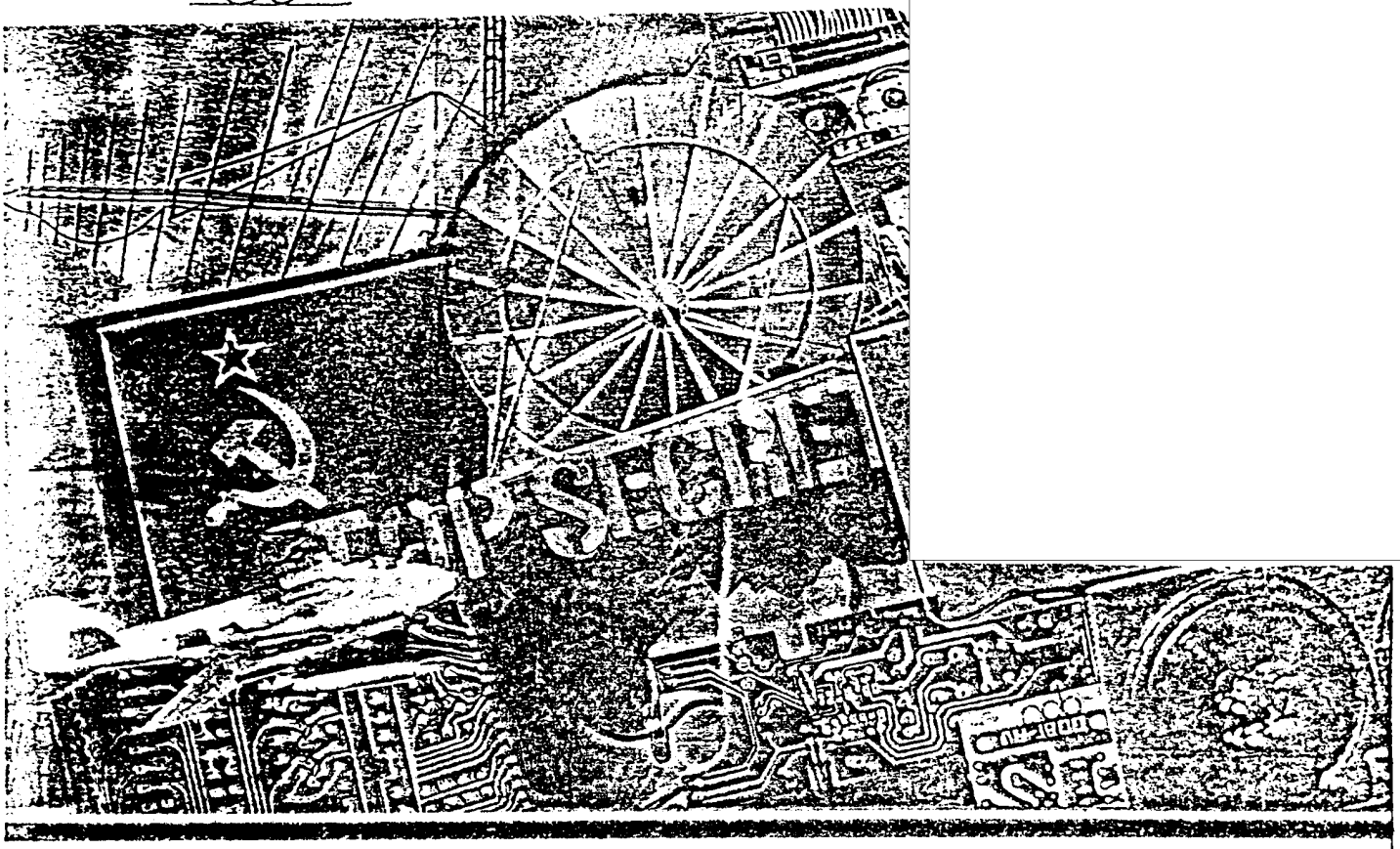

The KGB's Spies in America

Once they were the familiar characters of cloak-and-dagger fiction: brutish, bull-necked men with heavy fists, gold teeth and unfashionable, ill-fitting suits. But today's real-life spies of the KGB are a different breed—the best and brightest of Soviet society, schooled in science and language and social graces. More numerous than ever in America, they may well be the most important weapon that Moscow employs in the endless struggle between the superpowers. "The threat today is significantly greater than it was nine or ten years ago," says Edward J. O'Malley, assistant FBI director in charge of the intelligence division. O'Malley says the FBI is better at counterespionage than ever before, but other U.S. intelligence officials admit that Washington has been painfully slow to recognize the increasingly sophisticated challenge of Soviet spies in the United States.

The KGB's greatest asset in America, of course, is the nation's open society. According to one FBI estimate, the Soviets get 90 percent of their intelligence from open sources—everything from nonclassified documents and educational seminars to industrial trade shows and technical publications. So valuable is the magazine Aviation Week & Space Technology, for example, that each new issue is flown immediately to Moscow and translated en route. But the other 10 percent, obtained through the KGB's clandestine activities, is crucially important to Moscow. As a result, supersophisticated electronic equipment at every Soviet installation in America monitors countless private telephone calls and radio transmissions, from sensitive political conversations to drawings of top-secret weapons systems. NEWSWEEK has learned, for example, that the Russians once intercepted a design for part of the new Trident submarine by picking up a telefax transmission between offices of a major defense contractor.

Analyzing their mission, their methods, their impact—and the challenge they pose to an open society.

Dramatic reminders of the way the KGB has made off with American secrets have surfaced in numerous headlined cases over the last five years. Christopher Boyce and Andrew Lee were arrested in 1977 for selling data on a U.S. espionage satellite. Former Army cryptographer Joseph Helmich was sentenced to life in prison last month for selling cipher information. But the Soviets have developed subtler forms of co-option as well, spawning a complex web of legal business enterprises to buy and export computer chips, laser components and other high-tech gear that constitute the most sought-after intelligence prize in the United States today. "We're almost in a [scientific] race with ourselves," says Edgar Best, head of the FBI's Los Angeles field office. "We develop it, and they steal it."

'Loose Lips': The ongoing assault presents a special challenge to the Reagan Administration, whose foreign policy and world view is based largely on the premise of a widespread and covert Soviet threat. So far, the Administration has moved swiftly in the area of scientific espionage and "technology transfers"—beefing up export inspections and mounting an updated version of the old "loose lips sink ships" campaign among the high-technology companies of California's Silicon Valley. Many of the President's conservative supporters would